

## **EXHIBIT R**

**US District Court - Delaware  
In Re Federal Mogul - Chapter 11**

June 1, 2005  
William Hanlon, Esquire

Page 1

1 UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

3 In re: Chapter 11  
4 FEDERAL MOGUL GLOBAL,  
5 INC., et al., Jointly  
6 Debtors Administered

8 Case No. 01-10578(RTL)

12 CONFIDENTIAL

15 DEPOSITION OF: William R. Hanlon, Esquire  
16 DATE: June 1, 2005  
17 LOCATION: Washington, DC  
18 LEAD: Weil, Gotshal & Manges  
19 REPORTER: Susan Ashe, RMR, CRR

21 This deposition transcript and exhibits  
22 thereto contain confidential materials subject  
to the parties' stipulated protective order.

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2

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5

6

7 REQUESTS FOR DOCUMENTS OR INFORMATION:

8 PAGES: None

9

10

11 STIPULATIONS AND/OR STATEMENTS:

12 PAGES: 176.

13

14

15 MARKED QUESTIONS:

16 PAGES: None

17

18

19 MOTIONS TO STRIKE:

20 PAGES: None

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25

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1 PROCEEDINGS

2 Whereupon,  
3 WILLIAM R. HANLON, ESQUIRE,  
4 the Witness, called for examination, having been  
5 first duly sworn according to law, was examined  
6 and testified as follows:

7 EXAMINATION BY COUNSEL FOR THE OFFICIAL  
8 COMMITTEE OF THE ASBESTOS PROPERTY DAMAGE  
9 CLAIMANTS:

10 BY MR. FRIEDMAN:

11 Q Good morning, Mr. Hanlon.

12 A Good morning.

13 Q My name is Peter Friedman.

14 I'm appearing today on behalf  
15 of the Official Property Damage Committee in the  
16 Federal Mogul Chapter 11 cases; and I'm from  
17 Weil, Gotshal.

18 Mr. Hanlon, can you just state  
19 your formal name for the record, your full name.

20 A William R. Hanlon.

21 MR. FINCH: Peter, before we  
22 get too much further, I want to put  
23 something on the record.

24 Basically, Mr. Friedman and I  
25 have agreed to divide the time in this

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1 deposition on a two-thirds/one-third  
2 basis -- meaning, he has two-thirds of  
3 however much time you have here and I get  
4 a third.

5 And I understand you're going  
6 to get up and leave at 2:30; correct?

7 THE WITNESS: That's correct.

8 MR. FINCH: Okay. So, do you  
9 want to pick a stop time now or...?

10 I guess that is  
11 four-and-a-half -- no, five-and-a-half  
12 hours from now.

13 So on a two-third/one-third  
14 basis -- if you were to stop at 12:30,  
15 that would give me enough time.

16 MR. FRIEDMAN: Agreed.

17 MR. WYNER: The other thing I  
18 just want to put on the record is that the  
19 CCR designates this transcript as  
20 "Confidential" pursuant to the  
21 confidentiality order.

22 So it should have the word  
23 "Confidential" placed on the front page of  
24 the transcript, please.

25 BY MR. FRIEDMAN:

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1 Q Mr. Hanlon, could you tell me what  
2 your current occupation is?  
3 A I'm an attorney.  
4 Q And where do you practice?  
5 A Here at Goodwin Procter.  
6 Q Have you, in your past experience as  
7 an attorney, represented the Center for Claims  
8 Resolution?  
9 A I have and I still do.  
10 Q Can you tell me when you first began  
11 to represent the CCR?  
12 A Personally? or my law firm?  
13 Q Your law firm.  
14 A At its inception in 1988.  
15 Q And you personally?  
16 A I think I began working for the CCR  
17 sometime in 1989.  
18 Q And what services did you provide  
19 for the CCR?  
20 A It's a wide range of service.  
21 We initially were retained,  
22 pursuant to the terms of the producer agreement,  
23 as CCR's special counsel.  
24 It's a designated term under  
25 the agreement.

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1                   And special counsel was  
2 primarily retained to assist the members in  
3 connection with what were called the "producer  
4 shares." But over the years, our role grew in  
5 many ways.

6                   We served as outside counsel  
7 to the board of directors and to the Center's  
8 management.

9                   We also became involved in  
10 various pieces of litigation and in various  
11 settlement negotiations, among other things.

12                  It was a very wide-ranging and  
13 continues to be a wide-ranging representation.

14                  MR. FRIEDMAN: I'd like to  
15 mark this as Exhibit 1, Hanlon Exhibit 1.

16                  And I note, this document was  
17 not noted -- it was not designated as  
18 "Confidential."

19                  MR. WYNER: That's correct.

20                  MR. RUEGGER: I'm sorry to  
21 interrupt, but the transmission from the  
22 deposition is breaking up quite a bit.

23                  MR. FRIEDMAN: I'll speak  
24 louder.

25                  MR. RUEGGER: It's difficult

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1 to hear everybody.  
2 Is there any way to make the  
3 microphone a little closer to the  
4 speakers?  
5 MS. BROWN: We're putting it  
6 closer right now.  
7 MR. SEEGMAN: This is Rick  
8 Seegman. I've got the same problem.  
9 MR. FRIEDMAN: I'll speak  
10 louder.  
11 MR. WYNER: Can you hear us  
12 now?  
13 MR. FRIEDMAN: Is that better?  
14 MR. SEEGMAN: That's clearer,  
15 yes.  
16 MR. FRIEDMAN: Okay.  
17 (Whereupon, Hanlon Deposition  
18 Exhibit No. 1 was marked for  
19 identification.)  
20 BY MR. FRIEDMAN:  
21 Q Mr. Hanlon, a moment ago you  
22 mentioned the, I believe, "producer agreement."  
23 You have before you  
24 CCRFM000001 through -49.  
25 Do you recognize this as the

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1 producer agreement?

2 A As a version of the producer  
3 agreement.

4 It was amended several times  
5 over the years.

6 Q And this amendment was -- this is  
7 adopted as of February 1, 1994?

8 A Effective as of that date -- yes,  
9 that's what it says.

10 Q Were there subsequent amendments to  
11 this document?

12 A Yes.

13 Q Do you know when there were  
14 subsequent amendments?

15 A I'm not sure I can recall all of  
16 them; but certainly there were amendments after  
17 this, in either 2000 or 2001:

18 one to provide that the Center  
19 would no longer settle cases, collectively, on  
20 behalf of all 20 members;

21 and then subsequently to deal  
22 with the transition of the CCR from an  
23 organization that handled all cases on behalf of  
24 all the members to an organization that would  
25 simply continue to handle claims that had been

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1       settled on behalf of the members, collectively,  
2       through -- I believe it was February 1, 2001.  
3                    But, there were multiple  
4       amendments over the years.

5       Q    Mr. Hanlon, would you say that you  
6       spent a substantial portion of your time working  
7       on the CCR-related matters?

8       A    Yes.

9       Q    Did you ever have an official title  
10      in connection with the CCR?

11      A    Apart from "special counsel," no.

12      Q    "Shea & Gardner" is the predecessor  
13      firm that you were affiliated prior to your  
14      current employer?

15      A    Yes. Shea & Gardner combined with  
16      Goodwin Procter on October 1st last year.

17      Q    Did Shea & Gardner draft the  
18      original producer agreement?

19      A    I believe.

20                   I was not a party to it; but I  
21      understand that we were involved in the drafting  
22      of the initial agreement, although primarily  
23      with what is referred to as "Attachment A," not  
24      the body of the agreement.

25      Q    Is "Attachment A" --

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1 Well, can you describe what

2 "Attachment A" is?

3 A All right. "Attachment A" is the  
4 portion of the agreement that basically set out,  
5 initially, how the producer shares were to be  
6 allocated and how they were to be adjusted.

7 Q And the "producer shares," would  
8 that include the shares of liability that an  
9 individual member CCR would pay in settlement of  
10 a particular case or a group of cases?

11 A Yes, effectively.

12 Q To the extent you remember, do you  
13 recall who the original founding members of the  
14 CCR were?

15 A Yes.

16 Q Can you tell me who, the ones you  
17 recall?

18 A Sure. GAF Corporation; Armstrong  
19 World Industries; Turner & Newall; U.S. Gypsum;  
20 CertainTeed Corporation; Dana Corporation; Union  
21 Carbide; Amchem Products, which was a subsidiary  
22 of Union Carbide; I.U. North America, or  
23 "I.U.N.A."; Nosroc Corporation; Maremont  
24 Corporation; North Brothers, which was a  
25 division of National Service Industries; C.E.

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1 Thurston Corporation; Shook & Fletcher; Pfizer,  
2 Inc.; Quigley Company; Keene Corporation.

3 I'm missing a couple, if my  
4 counsel could assist me.

5 MR. WYNER: Your counsel is  
6 not here to testify.

7 A I'm missing a couple of others.  
8 But...

9 MR. FINCH: Flexitalic and  
10 Ferodo?

11 THE WITNESS: Thank you.  
12 Flexitalic and Ferodo, sister  
13 companies -- how could I have forgotten?

14 BY MR. FRIEDMAN:

15 Q Were all of those companies that had  
16 resolved asbestos claims in the past, that you  
17 were aware of?

18 A I think each of those companies had  
19 at least been a defendant in a certain number of  
20 cases before the inception of the CCR.

21 They were all members of the  
22 Asbestos Claims Facility, which was an  
23 organization that handled claims on their behalf  
24 from roughly 1985 to 1988.

25 Q Okay. The CCR was founded after the

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1 ACF disbanded; is that correct?  
2 A That's correct.  
3 Q Okay. Would you characterize all of  
4 the members of CCR as having had substantial --  
5 as being -- of having substantial exposure to  
6 asbestos claims?

7 MR. FINCH: Object to form.

8 A No, I would not.  
9 Q All right. Was CCR governed by a  
10 board of directors?

11 A Yes, it was.  
12 Q Can you describe how the members of  
13 the board of directors were selected?

14 A Yes.  
15 Under the terms of the  
16 producer agreement, the three largest companies,  
17 in terms of their contribution to the producer  
18 shares -- and I believe it was a calculation  
19 done on a calendar-year basis -- were  
20 effectively guaranteed seats on the board.

21 And from the inception of the  
22 corporation onward, I think the three largest,  
23 initially, were: Keene, GAF, and Armstrong.

24 And then one additional  
25 company was entitled to appoint a representative

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1 by a vote of the members.  
2 And initially, I think that  
3 was U.S.G. Corporation.  
4 And then the chairman of the  
5 board was the president and CEO of the Center.  
6 It was initially Mr. Larry Fitzpatrick.  
7 Keene left the organization --  
8 I believe it was in 1991.  
9 And at that point in time, I  
10 think T&N became the company entitled to the  
11 third seat as a result of its contribution.  
12 I think I misspoke.  
13 Initially, the members who  
14 would have been guaranteed seats were: GAF,  
15 Armstrong, and Keene.  
16 And I think T&N was the  
17 elected company and U.S.G. was a non-voting  
18 member of the board.  
19 And I think when Keene left,  
20 U.S.G. became the voting member. T&N became a  
21 member as a right. And CertainTeed became the  
22 non-voting member.  
23 Q Okay. So did T&N remain entitled to  
24 a board seat, based on that criteria, until it  
25 left the CCR?

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1           A   Yes, I believe it did.  
2           Q   Could you tell: Did members of the  
3   board or the designee of the member of the board  
4   engage in -- what kind of activities did they  
5   engage with, in terms of settlement agreements  
6   with plaintiff counsel, if any?

7           A   I'm not sure I understand the  
8   question.

9           Q   Were members of the board ever  
10   involved in the settlement negotiation with  
11   plaintiffs firms over specific cases or specific  
12   settlement agreements?

13          A   I don't believe so.

14           There were occasional meetings  
15   with leaders of the plaintiffs' bar, at which  
16   leaders of the defense bar would attend.

17           And on occasion, those  
18   meetings included members of our boards of  
19   directors.

20           But they were not there acting  
21   on the CCR's behalf attempting to negotiate  
22   cases.

23          Q   Do you recall if anybody from T&N  
24   ever attended any of those meetings?

25          A   Sitting here, I don't. But that's

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1 quite possible they did.

2 Q Do you remember who the board  
3 members -- who the members from T&N on the board  
4 of CCR was, at various times?

5 A Yes, I believe I do.

6 Initially, I think it was a  
7 "Mr. Atkinson."

8 He was succeeded by "Mr. Harry  
9 Baines" sometime in the early '90s -- '91 or  
10 '92, I believe.

11 And Mr. Baines continued as  
12 the board member up until the acquisition of T&N  
13 by Federal Mogul.

14 I think for a short period of  
15 time Mr. Ed Gray may have become the designated  
16 representative; but whether he did or did not,  
17 eventually Mr. Jim Zamoyski became the  
18 designated representative for T&N.

19 I think Mr. Gray may not have.  
20 I think he may have continued to retain  
21 Mr. Baines as a consultant.

22 Mr. Baines may have held on to  
23 the board seat, but certainly Mr. Gray  
24 participated in the meetings as if he were a  
25 board member for some period of time.

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1 Q Did T&N retain its individual  
2 liability share after the acquisition by Federal  
3 Mogul, or was it combined with Flexitalic and  
4 Ferodo?

5 A The membership continued as T&N's  
6 membership.

7 Q And T&N remained on the board from  
8 19- -- well, actually, would you say -- as an  
9 elected member from 1988, and remained on the  
10 board until it departed from the CCR?

11 A I believe he did, yes.

12 Q What were the purposes of CCR when  
13 it was founded?

14 A Well, they're set out in detail in  
15 the producer agreements you have.

16 But basically, it was a  
17 claims-handling organization that was created in  
18 order to defend, administer, settle, resolve,  
19 and process asbestos-related claims on behalf of  
20 those members.

21 And as part of their  
22 membership, each member of the CCR basically  
23 gave a complete power of attorney to the CCR to  
24 act as their agent with respect to  
25 asbestos-related claims.

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1 Q Would you say that a principal  
2 reason was to manage defense costs -- the  
3 creation of the CCR was for its member companies  
4 to manage their defense costs?

5 MR. FINCH: Object to form.

6 A Yeah, I think that's fair.

7 Q The CCR was the sole agent of its  
8 member companies in connection with all of the  
9 asbestos claims that they faced; is that  
10 correct?

11 A It is, although there was a  
12 provision in the agreement that provided that  
13 the board -- or the Center, acting through the  
14 board -- could agree to delegate back cases to a  
15 member for the member to handle on its own.

16 But that was always a decision  
17 that rested with the Center, not with the  
18 individual member.

19 So a member could request to  
20 take cases back and handle them on its own  
21 behalf; but the Center had the authority to  
22 decide whether to accept that request or not.

23 Q Did that happen frequently,  
24 companies requested --

25 A It happened rarely.

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1 Q Do you remember if T&N ever  
2 requested that to occur?

3 A Yes. I think towards the end of its  
4 membership, there was an occasion involving some  
5 cases in New York where there was a request --  
6 from Turner & Newall, at least -- to handle  
7 certain cases on their own. And the Center  
8 acknowledged that request.

9 I don't recall the specifics  
10 of it in great detail, but I think that did  
11 occur on one occasion.

12 Q So when CCR was the sole agent,  
13 except in the instance that you just talked  
14 about, it had -- if it settled the case or if it  
15 entered into settlement with a plaintiff, an  
16 individual -- could an individual company refuse  
17 to agree to the settlement?

18 A If I understand your question, the  
19 answer is no.

20 Q Did the companies assist in the  
21 defense process at all?

22 A I don't know what that means.

23 Q What kind of information did  
24 companies provide to CCR about the product --  
25 about the distribution of their

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1 asbestos-containing products?

2 A It provided substantial information  
3 about those products.

4 Q Did they provide information as to  
5 distribution of their products?

6 A I believe so.

7 You know, I believe as part of  
8 the process of membership that information was  
9 provided to the Center; and it was also provided  
10 to the Center's claims staff and to the Center's  
11 legal staff, and through the legal staff and the  
12 claim staff to the network of counsel that were  
13 representing the members in cases across the  
14 country.

15 Q Were claims initiated against  
16 individual members of the CCR, or were they  
17 initiated against the CCR as an entity?

18 A CCR was not generally defended in  
19 any case.

20 It was not a manufacturer or  
21 producer of products; and it was not simply  
22 there to handle the defense and settlement of  
23 claims against the individual members.

24 Members were sued -- and the  
25 Center did not accept service of process for

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US District Court - Delaware  
In Re Federal Mogul - Chapter 11

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William Hanlon, Esquire

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1 those members.

2                   Members were served  
3 individually, and then they basically tendered  
4 those cases to the Center to handle.

5           Q And then once it --

6                   SPEAKER PHONE: Now joining...

7                   MS. SIMON: Kate Simon of  
8 Bingham McCutchen.

9                   MR. WYNER: Who has joined the  
10 call, please?

11                  MS. SIMON: "Kate Simon."

12                  MR. WYNER: And Ms. Simon, who  
13 do you represent?

14                  MS. SIMON: The Travelers  
15 entities.

16                  Travelers Indemnity and  
17 Travelers Casualty.

18                  MR. WYNER: Is Travelers a  
19 party to the Federal Mogul proceeding?

20                  MS. SIMON: It is.

21                  MR. WYNER: It is?

22                  MR. FINCH: It's not a party  
23 to this adversary proceeding.

24                  MS. SIMON: Not the adversary  
25 proceeding, right.

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